Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Treatment of Operator Services Under Price Cap Regulation	)	CC Docket No. 93-124
	)	
Revisions to Price Cap Rules for AT&T	)	CC Docket No. 93-197

COMMENTS OF
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December 11, 1995

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COMMENTS

Sprint Corporation, on behalf of Sprint Communications Company, L.P. and the United and Central telephone companies, hereby respectfully submits its comments on the Second Further Notice of Proposed Rulemaking in CC Docket No. 94-1, Further Notice of Proposed Rulemaking in CC Docket No. 93-124, and Second Further Notice of Proposed Rulemaking in CC Docket No. 93-197, released September 20, 1995 (FCC 95-393) (collectively, the "NPRM").

I. BACKGROUND, INTRODUCTION AND SUMMARY.

The Commission initiated the Second NPRM in CC Docket No. 94-1 in order to consider "changes to interstate access price regulation to respond to changes in the market for these services" (¶1). Under the framework proposed by the Commission, price cap LECs would be granted increasing regulatory flexibility in three phases. In the first phase, the Commission would simplify the treatment of new tariff offerings, allow additional downward pricing flexibility, and change the structure of service baskets and categories for all price cap LECs, regardless of the degree of competition they face. In the second phase, the Commission would remove from price cap regulation those services for which the LEC is able to demonstrate substantial competition within a geographic market. These services would be subject to streamlined regulation. In the third phase, price cap LECs which can demonstrate that they no longer exercise market power for particular services in a geographic market would qualify for non-dominant regulation for those services in that market. ¶¶2-3. This framework is intended to encourage market-based prices that reflect the cost of service; efficient investment and innovation; and competitive entry in the interstate access and local exchange markets (¶1).

Sprint agrees that a reexamination of the price cap rules, and indeed, access charges generally, is warranted. As discussed below, the current interstate access charge regime is laden with burdensome subsidies. Interstate costing and pricing reform to eliminate these subsidies is crucial if a viably competitive and efficient market for interstate access and local exchange services is to develop.

Sprint also agrees with the Commission that additional regulatory flexibility is warranted as barriers to entry are eliminated, and as competition develops in the interstate access market. It is entirely appropriate for the Commission to consider how its access charge regulations should be revised to reflect changing market conditions. However, because access competition currently is in its infancy,[1] the focus in the instant proceeding must necessarily be on measures which can and should be implemented assuming price cap LECs are dominant for the provision of all interstate access services in all geographic markets (Phase I of the Commission's proposed framework). These measures should include the phased elimination of the carrier common line charge (CCLC) and residual interconnection charge (RIC); allowing LECs to implement zone density pricing plans even if they do not have operational expanded interconnection arrangements; and expansion of the zone density pricing concept to other switched access rate elements (local switching and the CCLC, unless or until the CCLC is eliminated). These measures can be implemented regardless of the degree of competition which any price cap LEC faces, and thus are appropriate as part of the Phase I reform package.

Sprint's experience as both an access provider and an access customer, consistent with data collected in various state and federal proceedings, has demonstrated that access competition is in its infancy. Because access competition is so embryonic, and because the terms and conditions governing RBOC entry into the interLATA market are as yet unknown, the Commission must be

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[1] *See* Section IV below.

extremely cautious in evaluating any proposals to grant streamlined or nondominant regulation of interstate access services. The Commission properly recognized that it must "limit the relaxation of regulation to that which would not cause competitive harm" (¶29).[2] Premature deregulation of price cap LECs could be disastrous to both access and interexchange competition. Granting excessive pricing flexibility to LECs while they remain the dominant providers of interstate access services may enable them to preempt nascent competition in this market, to the ultimate detriment of access customers and end users. Similarly, if the RBOCs are allowed to provide IX services while they still maintain bottleneck control of interexchange access facilities, there could be an extremely adverse impact on interexchange competition. Special efforts must be made to ensure that the RBOCs do not use whatever regulatory flexibility is granted to them to unreasonably favor their own interexchange operations (if or when they are allowed entry into the interLATA market), or to otherwise engage in anticompetitive or discriminatory activity.

Implementation of the pricing and costing reforms noted above and discussed in detail in Section II below will provide

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[2] The Commission defined competitive harm as the ability of a LEC "to prevent prices paid by access customers from moving toward their efficient economic cost or to reduce the quality or range of services provided to access customers or to impose unreasonable endogenous barriers to entry" (¶28). It also includes "LEC actions that could affect adversely competition in the interexchange market" (*id.*).

price cap LECs with sufficient flexibility to meet whatever competitive pressures are likely to exist in the interstate access market for the next few years. Moreover, these reforms do not present the specter of discrimination or the implementation problems which characterize some other proposals for regulatory flexibility. Sprint agrees in principle that regulation of price cap LECs should be relaxed as competition warrants. However, granting regulatory flexibility beyond these measures is premature, and decisions about specific measures for streamlined regulation and deregulation (Phases II and III of the Commission's proposed framework) can reasonably be deferred until more is known about the extent and viability of local service competition.

II. CERTAIN RULE CHANGES CAN BE IMPLEMENTED REGARDLESS OF THE DEGREE OF COMPETITION FACING PRICE CAP LECs.

There is no dispute that under currently effective access charge rules, most LECs charge rates for interstate access which are substantially higher than their underlying economic cost. As a result, IXCs (and thus their customers) pay excessively high rates to the LECs or succumb to artificial incentives to engage in service or facilities bypass; LECs are limited in their ability to respond fairly and effectively to whatever competitive pressures may exist; and competitive access providers (CAPs) receive incorrect signals about the long-term economic feasibility of entering the access and local exchange markets.

While these inefficient outcomes would best be avoided through reform of the interstate access charge regime generally, there are more limited changes to price cap regulation which can be made immediately to minimize such inefficiencies.[3] Sprint proposes below three changes which will help to rationalize interstate access pricing: the phased elimination of the CCLC and the RIC; implementing zone density plans even if the LEC does not have operational expanded interconnection arrangements; and expanding the zone density plan to include the local switching and CCLC elements (unless and until the CCLC is phased out).

The NPRM also sets forth several proposals designed to give price cap LECs additional pricing flexibility: relaxation of certain tariff requirements for the introduction of certain service offerings; allowing alternative pricing plans (APPs) and individual case basis (ICB) tariffs; streamlining the Part 69 waiver process; eliminating lower service band index limits; and changing the existing price cap service basket and category structure. As discussed below, some of these proposals have merit and should be implemented. However, other of these proposals would provide LECs with excessive pricing flexibility (and thus would enable them to engage in unreasonable discrimination), present serious implementation difficulties, and are otherwise flawed, and there-

[3] As the Commission correctly noted (¶6), "[e]ven where competition has not yet arrived...certain changes to...price cap regulations will yield public benefits."

fore should not be adopted. The goals these proposals were intended to promote (more rational access pricing, development of a viably competitive access market) are better achieved through implementation of the three measures proposed by Sprint.

A. Phased Elimination of the CCLC and RIC

There are two interstate rate elements which together provide approximately $5.8 billion in subsidy payments to price cap LECs: the carrier common line charge ($3.198 billion) and the residual interconnection charge ($2.595 billion).[4] These subsidy elements, which account for approximately 54% of the industry's switched interstate access revenue, seriously distort interstate access pricing and should be phased out in an orderly manner.

Neither the CCLC nor the RIC is an efficient pricing mechanism. The CCLC provides for the recovery of a portion of the non-traffic sensitive costs associated with LEC local loop plant on a usage sensitive basis. IXCs serving end users having high volumes of interstate calls pay far in excess of the underlying cost of the local loop, and thus have an incentive to use either special access facilities or the facilities of alternative access providers to reach those customers.

The initial residual interconnection charges were set to equal 1992 transport revenues less revenues earned from the

[4] See the tariff review plans filed with the 1995 annual access filings, Form SUM-1, by price cap LECs.

entrance facility, tandem switched transport, direct trunked transport, and dedicated signaling transport rate elements. Because the RIC is assessed on all interstate access customers that interconnect with the LEC switched access network, LECs have a reduced incentive to move their transport rates towards costs, and switched network interconnectors either are forced to subsidize LECs which are potentially less efficient than alternative access providers, or they succumb to distorted economic incentives to avoid using the LEC's switched network. Today, the RIC accounts for over 40% of LEC trunking basket revenues (*id.*). As the Commission has recognized, a high RIC "is unlikely to be reasonable in the long term."[5]

If the interstate access market is to become viably competitive, the CCLC and the RIC should be phased out. This should be accomplished through a combination of several measures. First, more of the costs of loop plant could be recovered from the cost causer -- the end user. End user charges were last increased in April 1989. It is reasonable to assume that most business and residential consumers expect the cost of living (including telephone service) to increase over time, and that a modest increase in the subscriber line charge (SLC) could be readily absorbed.[6]

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[5] *Transport Rate Structure and Pricing*, 7 FCC Rcd 7006, 7039 (¶62) (1992) (*Transport Order*).

[6] Assistance (such as the Link Up program) is available to low income telephone subscribers.

Sprint therefore suggests that the residential/single line business SLC be increased by $1.00 per month for one year, and by $.50 per month annually thereafter until the interstate CCLC is eliminated.[7] (Generally, the multiline business SLC of $6.00 recovers its portion of loop costs.)

Second, a per-line price cap formula should be implemented for common line costs. A per-line formula is consistent with the non-traffic sensitive nature of common line costs and would ensure that common line revenue growth appropriately tracks line growth. If common line minutes of use continue to grow faster than lines, a per-line formula would reduce the CCLC by more than occurs under the current "balanced 50/50" formula.[8]

Third, long term support payments should be recovered directly from IXCs. These payments, which are made by price cap LECs to support NECA pool companies with high loop costs, currently are approximately $38.2 million, or 1.2% of price cap LEC CCL rates. They are treated as exogenous costs which are built into CCL charges paid by IXCs. Sprint recommends that long term support payments be removed from price cap LEC CCLC rates and be

[7] Since April 1989, the Consumer Price Index rose approximately 26%. A $1.00 increase to the residential/single line business SLC equates to a 28.5% increase and thus is consistent with the increase in inflation. Sprint estimates that a $1.00 increase would recover approximately 35% of CCLC costs.

[8] Any measure of historical productivity should be adjusted to reflect adoption of a per-line common line formula.

recovered directly from IXCs on a bulk-billed basis, in proportion to their share of presubscribed lines.

Fourth, part of the productivity offset could be targeted to eliminate or at least reduce that portion of the RIC which is not associated with tandem switching costs. The offset would be computed on the basis of all price cap revenues to ensure that access customers generally would receive all of the benefits (lower rates) generated by the productivity offset. Sprint estimates that on average, 2.2 percentage points of the productivity offset is necessary to phase out the RIC in 5 years for price cap LECs. Sprint also proposes that price cap LECs be allowed to disaggregate RIC charges into zones and apply the annual reductions from the productivity offset first in those areas where rates are most out of line with costs, and subsequently eliminate the RIC in other zones. For example, the LEC should be allowed to apply all of the targeted portion of the productivity offset to reducing the Zone 1 RIC first, Zone 2 second, and Zone 3 third.[9] This approach balances the needs of LECs, IXCs, and end users. IXCs would see significant and necessary reductions of access charges towards cost; end users would benefit from the toll reductions as the access charge reductions are passed through; and LECs would be given a reasonable timeframe over which to manage significant revenue reductions in a way which

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[9] Obviously, decreases to the RIC in one zone should not be offset with increases to the RICs in the other zones.

allows them to apply the reductions to the areas where the difference between rates and costs is most significant and the need to move rates towards cost is most immediate.

Besides fostering more efficient interstate access pricing, elimination of the CCLC and RIC will reduce per minute access rates paid by IXCs. For example, a $1.00 increase in residential and single line business SLCs would transfer approximately $1.2 billion in costs from the CCLC. Competitive pressures will force IXCs to flow through access charge savings in the form of lower toll rates, which in turn will stimulate additional interstate calling and interstate access minutes of use.

B. Immediate Implementation of Zone Density Pricing

In the *Expanded Interconnection* proceeding, the Commission allowed LECs with expanded interconnection offerings to implement a system of traffic density-related rate zones for high capacity special access and switched transport.[10] Each of the LEC's central offices was to be assigned to one of the zones on the basis of cost-related characteristics such as traffic density. LECs were required to apply the same upper and lower bands to all of

[10] *Expanded Interconnection with Local Telephone Company Facilities; Amendment of the Part 69 Allocation of General Support Facility Costs*, 7 FCC Rcd 7369 (1992); *Second Report and Order*, 8 FCC Rcd 7374 (1993). An expanded interconnection offering is deemed operational when an interconnector has ordered the cross-connect and the LEC has provided this service (*see, e.g.*, 8 FCC Rcd at 7426, fn. 230).

the zone subcategories for a given service when the zone density prices were first introduced; each zone subcategory was subject to annual banding limitations of +5% and -10%.[11] Establishment of the zones was intended to give LECs additional flexibility in responding to competition and to bring rates more in line with costs (7 FCC Rcd at 7454 (¶179)).[12]

Sprint recommends that the Commission allow price cap LECs to implement zone density pricing immediately, regardless of whether the LEC has operational expanded interconnection arrangements. As the Commission has recognized, "[s]tudy area-wide rate averaging forces LECs to price above costs in high-traffic urban areas where costs tend to be lower and where competition is most intense."[13] By removing the cross-connect prerequisite to zone density pricing, the Commission will enable LECs to begin migrating rates towards cost. This will eliminate uneconomic pricing umbrellas and will foster more vigorous competition (*id.*), to the benefit of access providers, access customers, and end users.

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[11] 7 FCC Rcd at 7456 (¶181); 8 FCC Rcd at 7430-32 (¶¶109-112).

[12] Sprint believes that the decision to subject initial zone density pricing rates to identical upper and lower bands slowed the transition to cost-based rates. However, cost-based rates can be achieved over time by the application of the +5%, -15% zone density banding limitations.

[13] 8 FCC Rcd at 7426 (¶98).

C. Expanding Zone Density Pricing

The zone density pricing concept is sound and with the change discussed above can be an even more effective tool for achieving cost-based rates. Sprint recommends that zone density pricing also be applied to the local switching and CCLC rate elements (unless or until the CCLC is phased out). Loop and switching costs, like trunking costs, also vary to a certain degree by zone, and thus deaveraging of these rate elements is warranted.

The Commission has recognized that expanding the zone density pricing concept to other rate elements may in some cases be in the public interest. For example, in allowing implementation of Nynex's Universal Service Preservation Plan (USPP), the Commission noted that "[b]y permitting NYNEX to move its prices towards cost in those areas that have the densest traffic patterns and are open to competitive entry, we will enable NYNEX to minimize distortions in the total switched access per-minute rate that have the greatest adverse impact."[14] Permitting LECs to deaverage the local switching and CCLC rate elements will enable LECs to "target rate reductions to the customers who are most likely to bypass [LEC] switched services in favor of potentially less efficient services" (*id.*, ¶57).

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[14] *The NYNEX Telephone Companies Petition for Waiver, Transition Plan to Preserve Universal Service in a Competitive Environment, Memorandum Opinion and Order* released May 4, 1995 (FCC 95-185) ("*USPP Order*"), ¶56.

D. Relaxation of Tariff Requirements

The Commission has sought comment on proposals to relax the tariff requirements under price caps for certain new services and for restructured services. As shown below, these proposals are contrary to the public interest and should not be adopted. However, Sprint does support a shortened (30 day) notice period for new and restructured service offerings, provided that interested parties have sufficient opportunity to review such filings.

The Commission has proposed (¶45) designating new services as either "Track 1" or "Track 2." Track 1 services (any service the Commission requires LECs to offer, or which is essential to a LEC's competitors and customers) would remain subject to current notice and cost support requirements, while Track 2 services would be subject to reduced notice and cost support requirements.

Sprint believes that the proposed bifurcation is unwarranted and that instead, the Commission should shorten the tariff notice period for all new services. Trying to differentiate between Track 1 and Track 2 services may simply introduce more controversy, uncertainty, and delay in the process. A better approach, in Sprint's view, would be to shorten the tariff notice period for all new services to 30 days, while retaining the current 15 day period for petitions to reject or suspend and investigate. This would give parties time to review new service offerings and prepare any comments they may have. If no objections are submitted to the Commission, the new service would become effective on shorter notice than is the case under currently effective rules.

The Commission's proposal to shorten the 45-day notice requirement for restructured services, possibly to 15 or fewer days (¶51), should not be adopted. Because restructured services replace existing services, every effort must be made to ensure that the restructured rates, terms and conditions are reasonable. If the rates, terms and conditions are not reasonable, the access customer has no alternative -- it cannot continue to obtain the service which it was formerly receiving since that service is no longer available. It is doubtful that an assessment of the reasonableness of the rates associated with restructured services can be made in 15 or fewer days as has been proposed in the instant NPRM.[15] As a practical matter, it would be extremely difficult for interested parties to obtain copies of the tariff filing, analyze it, and prepare a petition; for the filing LEC to reply; and for the Commission to make a ruling, in 15 (or fewer) days.

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[15] For example, 800 database access was treated as a restructured service and the interstate tariffs were filed on 60 days notice. Because interested parties had 15 days from the date the tariffs were filed to review and comment on the tariffs of all of the 800 database service providers, they were able to identify numerous problems with the BOCs' 800 database cost allocations, resulting rate levels, and terms and conditions. The Commission instituted an investigation of these tariffs based on the petitions filed against them; this investigation is still open. *See Bell Operating Companies' Tariff for the 800 SMS and 800 Data Base Access Tariffs*, 8 FCC Rcd 5132 (1993).

However, as was the case with new service filings, Sprint would not object to a 30 day notice period for restructured services, so long as interested partues have a 15 day window in which to submit opposing petitions. This balances LECs' need for faster implementation of restructured offerings with the need of other parties to review such offerings. Under this revised schedule, LECs continue to receive revenues associated with the existing service which the restructured offering is intended to replace, so are not harmed. Customers continue to receive the needed access functionality, and benefit from a careful assessment of the reasonableness of the proposed restructured offering.

E. APPs

The Commission has requested comment on whether to allow alternative pricing plans (APPs), which it defines as optional discounted rates for existing services (¶54). If LEC APPs are allowed, the Commission questions whether they should be subject to the same rules which apply to AT&T's APPs (14 days notice and no cost support for APPs which expire within 90 days).

An APP must not be a potential vehicle for discrimination. There appear to be few, if any, restrictions on the number, scope, or form of LEC APPs, and APPs could easily be used to offer preferential rates, terms and conditions to selected customers. There is no apparent difference between an APP and any other new price cap service. The fact that there is a proposal to treat APPs differently from other new service offerings (¶52) simply reinforces the idea that APPs are "special deals" for particular customers. Subjecting APPs to less thorough regulatory review than is accorded to other new services only increases the likelihood that they (APPs) will be unreasonably discriminatory.

Additional LEC pricing flexibility is unnecessary if, as recommended above, the Commission expands zone density pricing to include the local switching and CCLC rate elements, and allows LECs to implement zone density pricing plans even if they do not have operational expanded interconnection arrangements. Adopting these proposals would go a long way towards providing all price cap LECs with sufficient pricing flexibility to meet current market conditions.

It would seem clear that allowing LECs to implement APPs is contrary to the public interest. However, if the Commission nonetheless decides to allow LEC APPs, it should not apply the same rules to LEC APPs as apply to AT&T's APPs. The Commission has found that AT&T faces substantial competition in the interexchange market. The Commission has made no such findings relative to the degree of competition which the incumbent LECs face in the provision of interstate access services.[16] Therefore, if LECs

[16] Indeed, the Commission does not now have any reporting requirements in place to provide data on the existence and extent of access competition. *See Common Carrier Bureau Seeks Comment on Telecommunications Access Provider Survey*, Public Notice released November 3, 1995, DA 95-2287 ("TAPS Public Notice").

are allowed to offer APPs, they should be filed on the same basis as any other new service (*i.e.*, on 30 days notice, with 15 days for opposing petitions, and with the full cost showing to demonstrate that the proposed rates cover direct costs plus some appropriate level of overhead costs).

F. ICBs

The Commission has requested comment on the conditions under which price cap LECs should be permitted to establish ICB rates (¶65). It has proposed that a LEC develop averaged rates when it has more than two customers for a common carrier ICB service, or has provided the service for six months or more.

Current Commission policy allows LECs to offer ICBs to provide new functionalities and special construction, provided that the LEC develops averaged rates for the service within a reasonable period of time; makes the service generally available at those averaged rates as soon as they are developed; and provides cost support information in accordance with Section 61.38 of the Commission's rules.[17] This policy is sufficient and Sprint sees no reason why it should be adjusted to provide price cap LECs with additional pricing flexibility. ICBs should not be used to

[17] *See, e.g., Investigation of Access and Divestiture Related Tariffs*, 97 FCC 2d 1082, 1143 (1984); *LECs' ICB DS3 Service Offerings*, 4 FCC Rcd 8634 (1989); In the Matter of Bell Atlantic Telephone Companies Transmittal Nos. 224 and 226, 3 FCC Rcd 1621, 1622-23 (CCB, 1988); BellSouth Telephone Companies Transmittal No. 346, 6 FCC Rcd 373, 374 (CCB, 1991).

offer special prices to certain customers in evasion of normal tariff requirements. There is already some indication that price cap LECs may be abusing their right to file ICBs,[18] and care must be taken to ensure that further abuses do not occur under any revised Commission policy on ICBs. To this end, Sprint supports the Commission's proposal to require LECs to file averaged, generally available rates once there is a prescribed number of customers for an ICB, indicating general market demand. (Sprint believes that 5 customers in a state would be more appropriate than 2, as proposed in the NPRM.) Indeed, assuming that the ICB was not intended to offer unreasonably discriminatory rates to a select customer(s), the tariffing LEC should have no objection to taking steps to make the ICB attractive to as many potential customers as possible.

G. Part 69 Waiver Process

The Commission has solicited comments on modifications to the current procedures price cap LECs must follow in order to establish new rate elements for a new switched access service (¶66). Under this proposal, a price cap LEC may file a petition to establish new rate elements for a new switched access service based upon a showing that the offering would serve the public

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[18] *See* "Common Carrier Bureau Restates Commission Policy on ICB Tariff Offerings," released Sept. 27, 1995 (DA 95-2053). In this public notice, the Commission noted that several ICB tariff transmittals had been filed recently which appeared to be inconsistent with the Commission's policy on ICBs.

interest. Once that petition is granted, other price cap LECs would be allowed to provide the same service and to establish the same rate elements on an expedited basis.

A comprehensive review of the Part 69 Rules would do much to stem the tide of Part 69 waiver requests. As switched access rules are rationalized, there should be less of a need for *ad hoc* waiver requests. For example, correcting the NTS cost recovery problem discussed in Section II.A above should ease pressures on LECs to implement new pricing plans such as the USPP.

Sprint agrees that, pending a review of the rules, the Part 69 waiver process can and should be streamlined to facilitate introduction of new services. Once the Commission has granted a request for waiver of the rules to establish a new rate element, there would seem to be no reason why "me too" waivers should not be granted on an expedited basis. There would also seem to be no reason why a waiver should not be granted on an expedited basis (*e.g.*, 14 days from the close of the comment cycle) if no opposition to the waiver request was filed.

Sprint also urges the Commission to adopt a target date for ruling on waiver requests (*e.g.*, within 90 days from receipt of a waiver request, unless special circumstances necessitate additional time). Adopting a schedule for acting on waiver requests will eliminate some of the uncertainty and confusion surrounding waiver proposals.

H. Elimination of Lower SBI Limits

The Commission has proposed to eliminate the lower service band limits in the price cap plan in order to promote cost-based pricing, eliminate pricing restrictions, and enhance competition (¶75). Sprint agrees that LECs should be allowed to decrease their rates to cost-based levels. However, elimination of lower SBI limits may not be the best means of achieving this goal, since it could allow LECs to charge predatory rates. Once the lower SBI limits are removed, there is no visibility into (or at least opportunity to review) the reasonableness of the lowered rates.

There is no evidence to suggest that lower SBI limits have acted as an impediment to cost-based rates. Sprint is unaware of any below-band filing which has been rejected or even unreasonably deferred. Therefore, elimination of lower SBI limits would not seem to be necessary in order for LECs to lower rates to cost-based levels.

If lower SBI limits are eliminated, the Commission should also constrain LECs' ability to subsequently increase a rate which was lowered. As the Commission recognized (¶105), limiting future rate increases provides some protection against a predation strategy -- lowering rates below cost to drive out competitors, and subsequently increasing those rates to recoup past losses. This safeguard is consistent with the Commission's decision in the USPP proceeding to forbid Nynex, "once it lowers the rate for any interconnection charge element, [from] thereafter rais[ing] the rate for that element" (*USPP Order*, ¶55). As the Commission stated, this safeguard "will prevent NYNEX from alternatively raising or lowering the rate for one element deliberately to undermine a rival's business plan" (*id.*).

I. Revision of Baskets and Consolidation of Service Categories

The Commission has requested comment on whether the current price cap basket structure should be changed (¶90) or whether existing service categories should be consolidated (¶93). Sprint believes that existing baskets and service categories are acceptable and that no changes to either are necessary.

III. SATISFYING CRITERIA INCLUDED ON A "COMPETITIVE CHECKLIST" SHOULD BE A KEY ELEMENT IN GRANTING FURTHER REGULATORY RELIEF.

The Commission has requested comment on whether relaxed regulatory treatment or pricing flexibility should be predicated on a demonstration that certain barriers to competitive entry into the local services market have been removed (¶107), and whether such demonstration should involve meeting criteria included in a "competitive checklist" (¶110). Sprint agrees that a competitive checklist is a useful tool for evaluating the degree of competition in the local services market and should be a key element in considering whether additional regulatory relief is warranted.

As discussed above, there are several regulatory relief measures which can be implemented immediately, regardless of the degree of competition in the local services market today or the extent to which items on the competitive checklist have been fulfilled. However, any further regulatory relief should depend in large part on fulfillment of the checklist.

Sprint endorses each of the eight criteria included on the Commission's tentative competitive checklist (¶108). This list should also include the following criteria:[19]

- new entrants have access to rights of way on the same terms as are available to the incumbent LEC;
- basic network functions must be provided on a nationwide uniform basis, and conform to quality and interoperability standards;
- access to numbering resources should be nondiscriminatory, and administration of numbering resources must be neutral and performed by an independent entity;
- embedded subsidies should be phased out;
- there should be no restrictions on resale within the same class of service.

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[19] Sprint has included as Attachment 1 a summary of its recommended "Essential Elements of Local Telephone Competition."